

Wyden Amendment #C1 to Senate Finance Chairman's Mark

Short Title: To ensure affordable access to health insurance exchange plans for all Americans

Short Description:

This amendment gives every American the ability to either choose to keep the coverage they have or pick a plan that works better for them and their family. It guarantees both choice and portability by creating a path for employers to insure their workers through the state-based insurance exchange. This amendment also recognizes that employers play an important role in ensuring that their employees have health coverage and gives employers a choice in how they fulfill that role. This amendment honors President Obama's pledge that everyone can keep the coverage they have while making it possible for individuals and families who don't like their current coverage to get a good quality, affordable alternative at an insurance exchange.

Employer Coverage Options: Under this amendment, employers that offer group health coverage meeting the minimum requirements under the Act would have the following options:

1. The employer would offer all individuals eligible for coverage under their plan a voucher equal to the amount that the employer would pay for their coverage under the plan that they sponsor. These workers would have the choice to:
 - Forfeit the voucher to take the health plan offered by employer; or
 - Decline the employer plan and use the voucher to take coverage through the local exchange. If workers select a plan that costs less than the voucher amount, they can keep the unspent amount as cash.
2. The employer can offer two or more health plans where at least one has a premium that is less than or equal to the average of the premiums for the two lowest cost "gold level" health plans in the area exchange. The amount of the employer contribution must be the same regardless of the plan selected by the worker. If the employer contribution amount exceeds the premium for the lower cost health plan, the worker retains the difference as cash.

Tax Treatment of Benefits: Under both approaches, the employer contribution for health insurance, including the voucher amount, is exempt from taxation except to the extent that they do not exceed the employer tax exclusion caps under the Act (i.e., \$8,000 individual, \$21,000 family). However, if the voucher amount exceeds the cost of insurance purchased in the exchange, the difference is taxable income to the employee. The employer will continue to be able to deduct the full amount of their costs including voucher payments.

Risk Adjustment: All employers electing the voucher option would be required to participate in a reinsurance pool encompassing the plan offered by the employer and the plans in the exchange. The reinsurance is fully funded with an assessment applied

uniformly to affected employers and exchange plans. Employers that decide to offer a choice of plans rather than offer vouchers are exempt from participation in the reinsurance pool.

More Choice for Workers: Workers who don't like their employer plans can choose to go to the exchange and choose any plan available through the exchange. If their employer currently provides health coverage, the workers will get a voucher equal to the money their employer currently pays to help pay the cost of an exchange plan. The voucher amount would be excluded from the employee's income and the cost of the voucher would be deductible by the employer. If the workers choose a plan that costs less than they have currently, they get rewarded with extra money in their pockets.

More Choice for Employers: Employers also have more choices: they can give their workers the ability to buy health coverage in the exchange or bring their entire group to the exchange and get a discount. This choice could be phased in for the mid-sized and large employers over a few years after the exchange gets going.

Employers with good health plans will be able to maintain their plans because they will offer their workers better value. Employers with high cost, low value plans can cut their costs by letting their workers go to the exchange.

Cost Containment: The plan would reward consumers for selecting more efficient lower cost plans by enabling them to retain the full amount saved by electing a lower-cost option.

Transition to the Free Choice System

Year 1 – People who are currently in the individual market plus small employers with up to 25 workers and the uninsured have access to the exchange.

Year 2-- Add employers with up to 100 workers to the exchange.

Year 3 – Open exchanges to all employers.

Offset – The Lewin Group has estimated that the Free Choice proposal would reduce national health spending by \$360 billion over the next 10 years and this reduced health spending would reduce the amount of revenue foregone through the health tax exclusion by \$129.8 billion over that 10-year period. Thus, the amendment should raise revenue. It should complement and enhance the “stick” provided by the excise tax on high cost plans by providing a “carrot” to encourage selection of low cost, high value plans.